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TAGS: OREP, PREL, US, IZ
SUBJECT: SFRC STAFF REPORT ON IRAN - IRAQ WAR

1. FOLLOWING IS TEXT OF EXECUTIVE SUMMARY OF SENATE FOREIGN RELATIONS COMMITTEE STAFF REPORT ENTITLED "WAR IN THE GULF," DATED AUGUST 1984. FULL TEXT WILL FOLLOW BY POUCH. AUTHORS WERE RECENT STAFFDEL MEMBERS BANNERMAN, YOST, GALBRAITH, BINNENDIJK, AND ASHWORTH. DEPARTMENT WOULD BE INTERESTED IN ANY SIGNIFICANT REGIONAL MEDIA OR OFFICIAL REACTIONS.

2. BEGIN EXECUTIVE SUMMARY TEXT:

U.S. POLICY IN THE REGION

-- THE STAKES IN THE PERSIAN GULF ARE HIGH FOR THE UNITED STATES AND ITS WESTERN ALLIES. IT REMAINS VITAL FOR THE WEST AS A SOURCE OF IMPORTED PETROLEUM DESPITE THE CURRENT OIL "GLUT".

-- THERE IS GREATER CALM IN MOST GULF COUNTRIES AND IN THE INTERNATIONAL OIL MARKET THAN MOST OBSERVERS HAD PREDICTED.

-- EARLIER THIS YEAR THERE WAS CONSIDERABLE CONCERN IN THE GULF REGION THAT THE UNITED STATES WOULD USE MILITARY FORCE PREMATURELY TO KEEP THE GULF OPEN AND THEN BE FORCED BY U.S. PUBLIC OPINION TO PULL OUT. IN THE LAST SEVERAL MONTHS, THE ADMINISTRATION HAS ALLAYED THESE CONCERNS BY PLACING EMPHASIS ON MILITARY INVOLVEMENT ONLY THROUGH INVITATION RATHER THAN BY UNILATERAL DECISION. THIS POLICY IS ALSO SUPPORTED BY THE BRITISH AND THE FRENCH.

-- THE UNITED STATES SUPPORTS AN IMMEDIATE PEACE BETWEEN IRAQ AND IRAN WITHOUT VICTOR AND WITHOUT VANQUISHED. SINCE 1982, WHEN THE IRAQIS AGREED TO NEGOTIATE WITHOUT

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CONDITIONS, UNITED STATES POLICY HAS TILTED TOWARD IRAQ. THE U.S. HAS UNDERTAKEN A NUMBER OF STEPS TO SHORE UP IRAQ AND TO FORESTALL AN IRANIAN VICTORY.

-- THE SOVIETS SEEK NEW OPPORTUNITIES IN THE GULF AND THE MIDDLE EAST GENERALLY BY ATTEMPTING TO EXPAND THEIR INFLUENCE AMONG PARTIES ON BOTH SIDES OF THE IRAQ-IRAN CONFLICT. THEY HAVE TILTED TOWARD IRAQ, AS HAS THE UNITED STATES, WHILE AT THE SAME TIME INCREASING MILITARY SUPPORT FOR IRAN'S ALLY SYRIA AND MAINTAINING LINES OF COMMUNICATION WITH IRAN. THEY WOULD LIKE TO BE IN A POSITION TO MEDIATE AN END TO THE WAR IN ORDER TO REGAIN CREDIBILITY IN THE AREA. WHILE FUNDAMENTAL U.S. AND SOVIET INTERESTS REMAIN AT ODDS IN THE GULF, BOTH HAVE SOME IMMEDIATE GOALS IN COMMON. AS A RESULT, THERE IS NO SERIOUS CONCERN THAT THE CURRENT IRAN-IRAQ WAR COULD ENGAGE THE SUPERPOWERS IN HOSTILITIES.

THE MILITARY SITUATION

-- THE IRAN-IRAQ MILITARY BALANCE HAS SHIFTED IN IRAQ'S FAVOR DURING THE PAST YEAR AS A RESULT OF THE WORLDWIDE ARMS EMBARGO ON IRAN AND MASSIVE ARMS SALES TO IRAQ BY THE SOVIETS AND FRENCH. IRAQ DOES HAVE TWO POTENTIALLY SERIOUS MILITARY LIABILITIES: ITS LACK OF STRATEGIC DEPTH AND THE MORALE OF IRAQI TROOPS. IT IS OUR ASSESSMENT THAT AN IRANIAN ASSAULT ON IRAQ WOULD PROBABLY LEAD TO A DEFEAT FOR IRAN UNLESS IRAQI MORALE COLLAPSES. HAVING PUBLICLY HEIGHTENED EXPECTATIONS FOR A MAJOR ASSAULT THAT IT IS UNLIKELY TO WIN, IRAN FACES A DILEMMA. THE DEBATE CONTINUES IN IRAN AND IS COMPLICATED BY AYATOLLAH KHOMEINI'S POOR HEALTH.

-- IF IRAN DECIDES NOT TO ATTACK IRAQ DIRECTLY, IT MIGHT INCREASE MILITARY AND DIPLOMATIC PRESSURE ON THE GULF

COOPERATION COUNCIL (GCC) STATES. IRAQ HAS INCENTIVES TO ESCALATE THE TANKER WAR TO BRING FURTHER ECONOMIC PRESSURE TO BEAR ON IRAN. A MASSIVE IRAQI ATTACK ON IRAN'S OIL EXPORTING FACILITIES AT KHARG ISLAND REMAINS A DISTINCT POSSIBILITY.

-- CLOSING THE GULF WOULD BE AN ACT OF DESPERATION FOR IRAN. IRAN HAS THE CAPABILITY TO CLOSE THE GULF IN THE ABSENCE OF ASSISTANCE TO THE GULF STATES FROM COUNTRIES OUTSIDE THE REGION. WESTERN POWERS COULD REOPEN THE GULF, AND THIS MIGHT LEAD TO DEVASTATING AIR STRIKES ON IRANIAN PORTS AND AIRBASES. WHILE THE UNITED STATES MIGHT FIND IT NECESSARY TO TAKE SUCH ACTION, IT COULD PROVIDE POLITICAL AND MILITARY OPPORTUNITIES FOR THE SOVIETS IN IRAN. THEREFORE, A HIGH PRIORITY OF U.S. DIPLOMACY SHOULD BE TO PROMOTE A SETTLEMENT OF THE WAR.

-- SOURCES IN THE AREA SAY THAT WITHOUT THE CAPABILITIES PROVIDED TO THE SAUDIS BY U.S. ARMS SALES, THE SAUDIS MIGHT WELL NOW BE SEEKING THE DIRECT SUPPORT OF U.S. AIR FORCE FIGHTER AIRCRAFT TO DEFEND THEIR OIL FIELDS. INSTEAD, SAUDI ARABIA'S COMBAT AIRCRAFT IN THE DHAHRAN REGION COMBINED WITH EARLY WARNING FROM THE U.S. OPERATED AWACS AND KC-10 REFUELING TANKERS GIVE THE SAUDIS THE CAPABILITY TO DEFEND AGAINST BOTH A SMALL SURPRISE ATTACK AND A SUSTAINED ATTACK BY THE IRANIAN AIR FORCE. A SURPRISE ATTACK IN FORCE WOULD BE DIFFICULT TO STOP ENTIRELY. SAUDI ARABIA HAS THE CAPABILITY TO RETALIATE AGAINST ATTACKS ON ITS TERRITORY, ALTHOUGH ITS WILL TO DO SO IS QUESTIONED BY SOME.

-- THE SAUDIS ARE VULNERABLE TO SABOTAGE. THEY RELY ON HARSH PUNISHMENT TO DETER SABOTEURS AND REDUNDANCY IN

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THEIR EXPORT CAPACITY TO CONTINUE THE FLOW OF OIL TO THE WEST.

-- THE UNITED STATES CURRENTLY HAS 11,500 SAILORS AND SOLDIERS IN THE PERSIAN GULF AND ARABIAN SEA AREA. DESPITE ITS SIZE, THE U.S. PRESENCE IS UNOBTRUSIVE. U.S. MILITARY PERSONNEL IN THE WAR ZONE ARE GENERALLY NOT UNDULY VULNERABLE, ALTHOUGH THERE IS SOME RISK. OUR DESTROYERS IN THE GULF ITSELF ARE PRIMARILY SYMBOLIC, BUT THE CARRIER BATTLE GROUP IN THE ARABIAN GULF HAS A DETERRENT CAPABILITY. THE U.S. DOES NOT NOW HAVE THE CAPABILITY IN THE REGION TO STOP THE TANKER WAR, BUT THERE ARE SIGNIFICANT U.S. MILITARY ASSETS EARMARKED FOR THE U.S. CENTRAL COMMAND (CENTCOM) THAT COULD. SENIOR U.S. MILITARY COMMANDERS IN THE REGION DO NOT ENVISION REALISTIC CONTINGENCIES THAT WOULD REQUIRE U.S. GROUND TROOPS, EXCEPT FOR SECURITY GUARD DUTY.

-- U.S. ACCESS TO THE MILITARY FACILITIES OF GULF COOPERATION COUNCIL COUNTRIES IS CRUCIAL IF THE U.S. SHOULD AGREE TO PROTECT SHIPPING IN THE GULF. THE CHANGE IN POSSIBLE ADVERSARIES FROM THE SOVIET UNION TO IRAN CLOUDS THE POLITICAL PICTURE SOMEWHAT AND RAISES THE QUESTION WHETHER THE FACILITIES NECESSARY FOR A SUBSTANTIAL U.S. MILITARY EFFORT WOULD BE FORTHCOMING.

-- COORDINATION WITH THE NATO ALLIES ON PERSIAN GULF ISSUES HAS IMPROVED.

-- VIRTUALLY ALL THE GULF COOPERATION COUNCIL STATES HAVE ASKED THE U.S. FOR ADDITIONAL ARMS SALES TO COPE WITH THE CURRENT MILITARY TENSION IN THE AREA. SOME OF THESE REQUESTS APPEAR TO BE IN EXCESS OF REGIONAL NEEDS.

-- SENIOR U.S. MILITARY OFFICIALS IN SAUDI ARABIA ESTIMATE THAT THE 200 STINGER LAUNCHERS WITH 400 MISSILES ALREADY IN SAUDI HANDS ARE ADEQUATE TO PROVIDE GAP-FILLER DEFENSE FOR THE OIL-RICH EASTERN PROVINCE. THE STINGERS ARE STORED IN CONCRETE AMMUNITION STORAGE BUNKERS WITH A TWO-KEY SECURITY SYSTEM. ADDITIONAL PROTECTIVE MEASURES ARE BEING TAKEN.

POLITICAL PERSPECTIVES

-- THERE ARE FEW SIGNS OF WAR IN BAGHDAD, BUT BELOW THE SURFACE THERE IS WAR WEARINESS. IRAQI OFFICIALS NOW SPEAK WITH A GREATER DEGREE OF CONFIDENCE ABOUT THE WAR THAN THEY DID A YEAR AGO.

-- THE REGIME'S RELIANCE ON REPRESSIVE MEASURES AND SADDAM HUSSEIN'S PERSONALITY CULT MAY LIMIT THE QUALITY OF ADVICE THAT HE GETS.

-- IRAQ'S ECONOMY REMAINS IN SERIOUS BUT MANAGEABLE SHAPE.

-- THE UNITED STATES' POSITION ON THE WAR HAS LED TO AN IRAQI DESIRE TO STRENGTHEN RELATIONS WITH THE U.S. IRAQI OFFICIALS ARE TRYING TO ALLAY U.S. CONCERNS ABOUT THEIR SUPPORT FOR TERRORISM AND THEIR USE OF CHEMICAL WEAPONS. IRAQ DOES NOT, HOWEVER, WANT TO RESUME DIPLOMATIC RELATIONS WITH THE U.S. AT THIS TIME.

-- SEVERAL KEY IRANIAN LEADERS APPEAR TO BE REACHING THE CONCLUSION THAT THE COSTS OF CONTINUING MILITARY EFFORTS

ARE BECOMING TOO GREAT. THERE IS NO INDICATION, HOWEVER, THAT AYATALLAH KHOMEINI HAS CHANGED HIS BASIC POSITION IN SUPPORT OF THE WAR. WITH LIMITED OPTIONS, AN IRANIAN

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DIPLOMATIC EFFORT SEEMS TO BE UNDER WAY TO SEPARATE IRAQ FROM THE GCC STATES AND TO GAIN SOME INFLUENCE IN MOSCOW.

-- A WIDE DIVERSITY OF VIEWS EXISTS AMONG THE GULF COOPERATION COUNCIL STATES. ALL SHARE A COMMON PERCEPTION THAT AN ESCALATION IN THE WAR POSES SEVERE RISKS FOR THEM. IN GENERAL, THE FURTHER NORTH ONE GOES IN THE GULF, THE MORE SUPPORT ONE FINDS FOR IRAQ'S POSITION IN THE WAR.

-- U.S. SAUDI RELATIONS SUFFERED BRIEFLY AFTER THE FAILURE IN LEBANON, BUT U.S. SUPPORT DURING THE TANKER WAR HAS RENEWED GOOD RELATIONS. U.S. AND SAUDI INTERESTS IN THE PERSIAN GULF ARE GENERALLY CONSISTENT, BUT THE EXTENT OF POTENTIAL COOPERATION SHOULD NOT BE EXAGGERATED. SIGNIFICANT BILATERAL PROBLEMS COULD DEVELOP OVER ARMS SALES AND POLICY QUESTIONS RELATED TO ISRAEL.

-- KUWAIT IS PARTICULARLY VULNERABLE TO IRANIAN SABOTAGE EFFORTS, AIR RAIDS, AND TERRORIST ACTS. THEIR INDUSTRIAL FACILITIES AND SOCIETAL STRUCTURE ARE BOTH VERY VULNERABLE AND IRAN HAS SIGNIFICANT INCENTIVES TO UNDERMINE KUWAITI SUPPORT FOR IRAQ. THE KUWAITIS ARE SEARCHING IN MANY QUARTERS FOR WAYS TO DEFEND THEMSELVES.

-- THE UAE AND OMAN BOTH STRESS THE NEED TO AVOID A DIRECT ARAB-IRANIAN CONFRONTATION. NEITHER WOULD BE EAGER TO ALLOW THE UNITED STATES TO USE ITS MILITARY FACILITIES FOR OPERATIONS AGAINST IRAN.

-- THE \$300 MILLION U.S. MILITARY CONSTRUCTION PROGRAM IN OMAN IS 75 PERCENT COMPLETED, BUT SOME PROBLEMS REMAIN INCLUDING THE QUESTION OF U.S. ACCESS TO OMANI FACILITIES.

ENERGY ASSESSMENT

-- NON-COMMUNIST WORLD PETROLEUM DEMAND DECLINED IN 1983 FOR THE FOURTH CONSECUTIVE YEAR. ONE RESULT IS AN EXCESS OIL PRODUCTION CAPACITY WORLDWIDE ESTIMATED AT FROM 10 TO 12 MILLION BARRELS PER DAY (MBD), OF WHICH ONLY 3 MBD IS LOCATED OUTSIDE THE PERSIAN GULF.

-- DOWNWARD PRESSURE ON OIL PRICES CONTINUES. THE OUTLOOK FOR GLOBAL PETROLEUM DEMAND IS FOR A GRADUAL PICK-UP. THE PRESSURE AMONG GULF PRODUCERS IS FOR MORE

PRODUCTION NOT LESS. IF THEY ARE ABLE TO PRODUCE, PRICES ARE LIKELY TO REMAIN STABLE OR DECLINE.

-- AT PRESENT, THE TANKER WAR IS HAVING REMARKABLY LITTLE EFFECT ON PERSIAN GULF EXPORTS THROUGH THE STRAIT OF HORMUZ.

-- IF OIL EXPORTS FROM IRAQ, KUWAIT, IRAN AND THE NEUTRAL ZONE WERE SHUT OFF, THIS REDUCTION COULD BE ACCOMMODATED BY EXPANDED SAUDI PRODUCTION. A SHUT-OFF OF SAUDI OIL WOULD HAVE A SEVERE IMPACT ON THE PRICE AND AVAILABILITY OF OIL.

3. K'WAIT MINIMIZE CONSIDERED. DAM

END OF MESSAGE

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